October 5, 2012

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Notice of *Ex Parte* Meetings

Re: *Ex Parte* Contact in A National Broadband Plan for Our Future, GN Docket 09-51 and Universal Service Contribution Methodology, WC Docket 06-122

Dear Ms. Dortch:

On behalf of the Ad Hoc Telecommunications Users Committee (Ad Hoc), the undersigned, of Levine, Blaszak, Block & Boothby, LLP, and Susan M. Gately, of SMG Consulting LLC, met on October 4, 2012 with Angela Kronenberg, Wireline Legal Advisor to Commissioner Mignon Clyburn, Priscilla Argeris, Legal Advisor to Commissioner Jessica Rosenworcel, and Nicholas Degani, Wireline Legal Advisor to Commissioner Ajit Pai.

During these meetings we discussed USF contribution methodology reform, focusing primarily on Ad Hoc's continued support for adoption of a numbers-based system. All our discussions covered the material in the attached outline and charts.

Pursuant to the Commission's rules, this letter has been filed in the above referenced dockets. If you have any questions regarding this submission, please do not hesitate to contact me directly.

Sincerely,

Andrew M. Brown
Counsel, Ad Hoc Telecommunications Users Committee

Cc:
Angela Kronenberg
Priscilla Argeris
Nicholas Degani

Attachments

Ad Hoc Telecommunications Users Committee
Ex Parte Meeting on Universal Service Contribution Methodology
October 4, 2012

I. Ad Hoc has promoted USF Contribution Methodology reform for over a decade.

- Member of Consumer Energy Council of America ("CECA") in 2001
- Member of Coalition for Sustainable Universal Service ("COSUS") promoting connections based mechanism in 2002
- Proponent in FCC proceedings for numbers-based contribution methodology since 2003

II. The FCC should reform the contribution methodology so that the contribution obligation is:

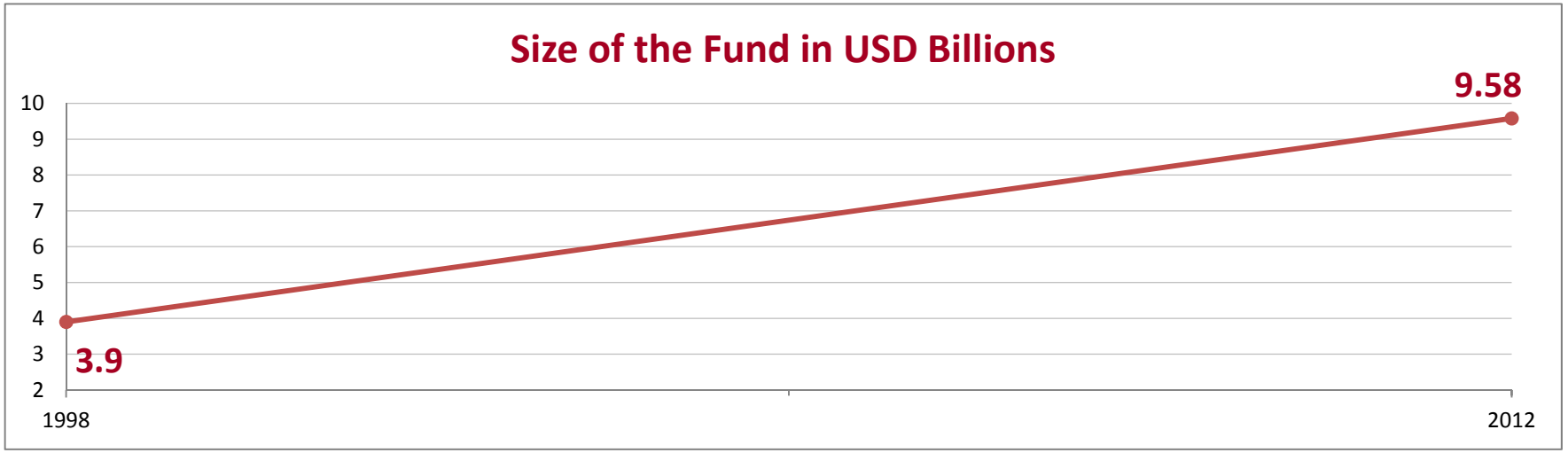
- Equitably distributed
  - Business users or services used by business users should not contribute disproportionately to contributions made by other end-users or services.
  - No residual funding requirements should be imposed on business users or services used by business users to cover shortfalls in USF/CAF.
- Stable and Predictable
  - Volatility in current contribution imposes huge burden on budgeting of businesses purchasing large quantities of telecom services.
  - Reformed methodology should be based on stable metric or revenue source.

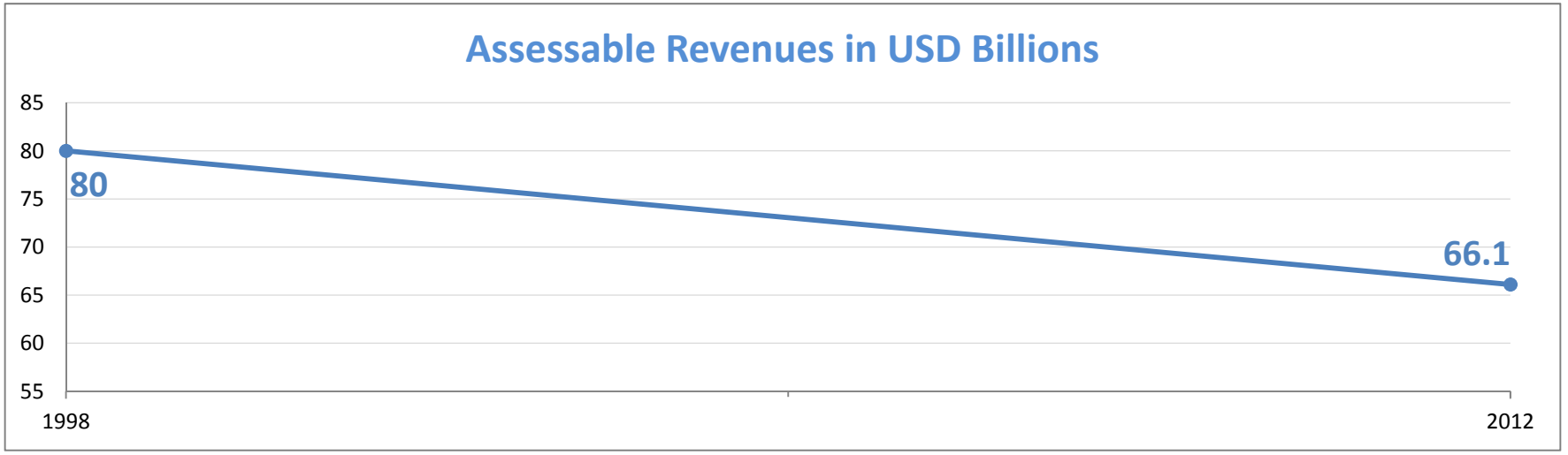
III. Reform proposals in NPRM are all viable improvements to the current system if implemented in accordance with the preceding principles.

- Numbers: A "pure" numbers methodology is still the FCC's best option.
  - Business users contribute "fair share," and consumers not unduly burdened
  - Pool of assessable numbers is a stable (growing) base for funding CAF
  - Easiest method to implement, report, monitor and verify
  - Explicit statutory jurisdiction avoids issues associated with FCC authority to implement other methodologies
- Connections: Viable, but details of implementation will determine fair application of contribution obligations and ability to satisfy USF/CAF funding requirements.
  - No basis for distinguishing between residential and business connections
  - Should be based on connections to the Internet or network
  - No residual assessment should apply for shortfalls in funding
  - Past efforts to establish fair assessments on connection speed tiers have failed
- Revenues (Broadened Base): Could improve the current problems, but still has inherent flaws that plague existing funding mechanism.
  - Broadening base to capture additional services would reduce contribution factor
  - But revenues based system will continue to promote arbitrage and still requires line-drawing on classification of services
  - No basis for expanding contribution to revenues of end-users that derive economic benefit from Internet/network access facilities
  - Jurisdictional complications

IV. Path Forward

Structural Problem with Current USF Contribution Methodology





Growth of USF Contribution Factor